

PRESCRIPTION DRUG PRICE CONTROL INTERNATIONAL COMPARISON

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WORLD'S TOP 10 PHARMA AND BIOTECH BUSINESSES

SOURCE: STATISTA

2015 Revenue (\$Billions)

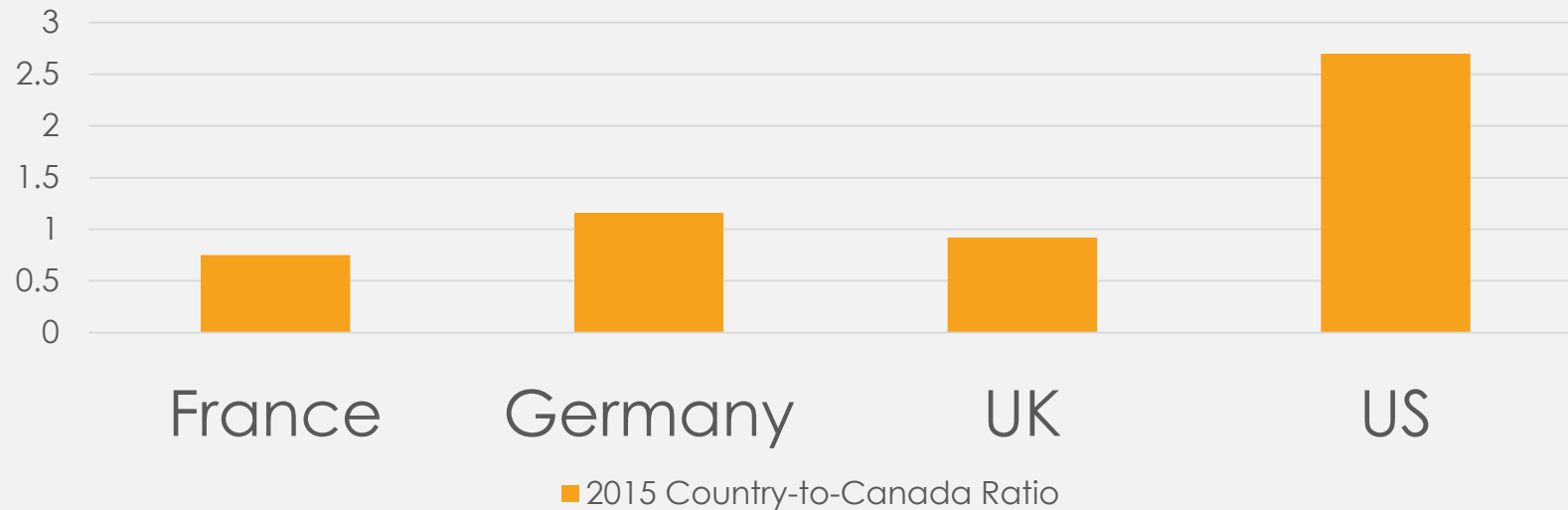


■ Western Europe ■ United States

PATENTED DRUG PRICES

SOURCE: PMPRB

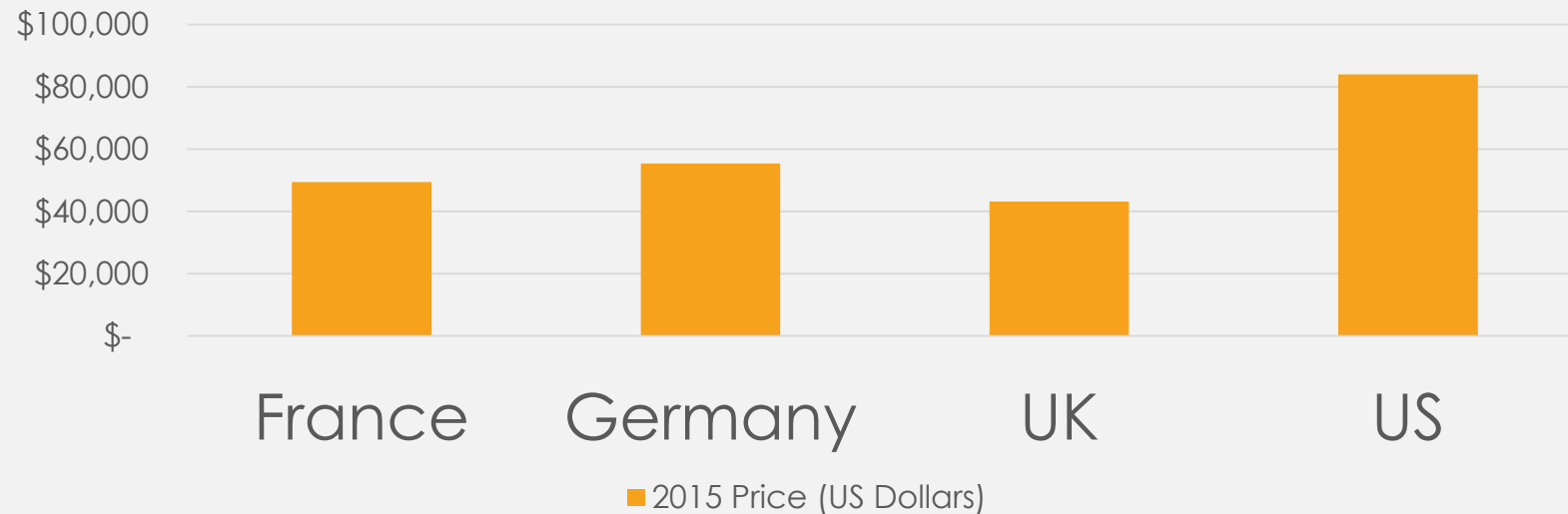
2015 Country-to-Canada Ratio



SOVALDI PRICE PER TREATMENT

SOURCE: PRICES, COSTS, AND AFFORDABILITY OF NEW MEDICINES FOR HEPATITIS C. PLOS MED 13(5)

2015 Price (US Dollars)



KEYS TO LOWER DRUG PRICES IN WESTERN EUROPE AND CANADA

- **Bulk Purchasing Power**
- **Prescription Drug Quality Reviews**

BULK PURCHASING POWER

- In western Europe and Canada, there aren't as many payers trying to buy drugs; so those groups can exert greater purchasing power that can lower costs
- The drug makers have fewer parties with whom to negotiate
- A drug makers' products either get on the national drug formularies or they don't

PRESCRIPTION DRUG QUALITY REVIEWS

- In countries like the UK, a drug quality review board is a central agency that engages in comparative research that comes up with clear statements of drugs' efficacies
- A drug review board helps determine not only does a drug do what the drug-makers says it will do, but how effective it is relative to what is already out on the market

PRICING OF SOVALDI IN THE UK BULK PURCHASING POWER

SOURCE: PMLIVE, JUNE 17, 2014

- The UK has a single-payer for healthcare, the National Health Service
- In 2014, Gilead, the maker of Sovaldi, offered the NHS a price of \$61,027 (US), a 37% discount from the US price, in deference to the bulk purchasing power of the NHS

PRICING OF SOVALDI IN THE UK PRESCRIPTION DRUG QUALITY REVIEW

SOURCE: NICE, JUNE 16, 2014

- In response to the \$61,027 (US) bid, the National Institute for Health & Care Excellence found that there were “substantial uncertainties in the evidence base presented by the manufacturer”
- NICE concluded that it was “minded not to recommend” Sovaldi, based on the limited evidence of the drug’s effectiveness
- For 2015, Gilead then gave the NHS the price of \$43,226 (US), a price roughly half of the Sovaldi price in the US

U.S. AT THE NATIONAL LEVEL BULK PURCHASING POWER

SOURCE: COMMITTEE ON FINANCE, UNITED STATES SENATE

- Drug-makers give substantial discounts to large healthcare organizations in deference to their use of bulk purchasing power
- For example, Gilead recognized that for some payers, “some degree of contracting is likely required” to secure access.
- For the VA, Gilead found they needed “discount for access.”
- For networks such as Kaiser Permanente, Gilead found the \$84,000 price would “likely not provide access and demand contracts.”

U.S. AT THE STATE LEVEL BULK PURCHASING POWER

SOURCE: MACPAC, MEDICAID SPENDING FOR PRESCRIPTION
DRUGS, JANUARY 2016

- Federal law allows each state Medicaid program to negotiate supplemental rebates for drugs without affecting the overall federal formula for Medicaid prices
- For example, several states report they have negotiated supplemental rebates of up to 20 to 30% for Sovaldi

U.S. AT THE STATE LEVEL DRUG QUALITY REVIEW

SOURCE: USE OF OREGON'S EVIDENCE-BASED REVIEWS FOR
MEDICAID PHARMACY POLICIES, PADREZ ET AL

- For Medicaid preferred drug lists, states can use drug quality reports
- For example, for its Medicaid PDL, Washington's Pharmacy & Therapeutics committee evaluates the relative safety, efficacy, and effectiveness of drugs within a class using Drug Effectiveness Review Project reports and makes recommendations to the state Medicaid agency
- The agency reviews the costs of the recommended drugs, including supplemental rebates offered, and selects drugs for the PDL